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RULEMAKING ESTABLISHING ELECTRIC WEATHERIZATION STANDARDS	**§ § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC'S COMMENTS

CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) files its Comments to the Discussion Draft and Questions for Comment.[1] In support of its Comments, CenterPoint Houston states the following:

I. Summary of CenterPoint Houston's Comments

CenterPoint Houston supports the efforts of the Public Utility Commission of Texas (Commission) to implement weather preparation standards. CenterPoint Houston offers the following responses to the questions posed by Commission Staff and revisions to Commission Staff's proposed weather emergency preparedness rule (the Weatherization Rule):

- There is a host of widely available commercial weather services that provide weather observation and forecasting services.[2] CenterPoint Houston receives weather information from various commercial weather service vendors and uses such weather information for daily real-time operations, planning, and retail market operations of its transmission and distribution system.
- The existing cost recovery mechanisms provide sufficient opportunity for the recovery of weather-related costs. To the extent the Commission makes a policy determination to create additional mechanisms for cost recovery, CenterPoint Houston is supportive of additional mechanisms that allow for the timely and efficient recovery of weather-related capital and operations and maintenance costs.
- The Weatherization Rule would benefit from additional clarification and guidance, specifically: (1) incorporating the standards in the National Electrical Safety Code (NESC) and established by the American National Standards Institute (ANSI); (2) consideration of

[1] Commission Staff established July 30, 2021 as the deadline for interested persons to file comments

[2] The National Weather Service maintains a list of such commercial weather services https://www.weather.gov/enterprise/ (last accessed Jul 21, 2021)

regional differences in which each transmission service provider operates; and (3) as part of implementing weather emergency preparedness measures, the requirement that each transmission service provider file a weather resiliency plan to be reviewed and approved by the Commission.

- To the extent that the Commission declines CenterPoint Houston's recommendation to incorporate the standards in the NESC and the standards established by ANSI as the standards for weather preparation measures and instead makes the policy determination to use the ERCOT 98th percentile as the standard for weather preparation measures, CenterPoint Houston proposes that any incremental costs that are not recoverable through one of the current cost recovery mechanisms be allowed to be recovered through a Commission-approved mechanism. Additionally, CenterPoint Houston proposes that transmission service providers be permitted to request a good cause exception to the November 30, 2023 compliance deadline in Section (j) of the Weatherization Rule. As part of the request for a good cause exception, transmission service providers would be required to submit a compliance plan that details the weather preparation measures, along with associated costs and timelines, that will be undertaken to come into compliance with the ERCOT 98th percentile standard.

II. CenterPoint Houston's Response to the Questions Posed

CenterPoint Houston offers the following response to the two questions posed by Commission Staff:

a. Weather Information

Question: What is the availability of statistically reliable weather information from, e.g. the American Society of Heating, Refrigeration and Air Conditioning Engineers; National Weather Service; or other sources for the ERCOT power region? Please share the source of that information.

Response: There is a host of widely available commercial weather services that provide weather observation and forecasting services. CenterPoint Houston receives weather information from various commercial weather service vendors and uses such weather information for daily real-time operations, planning, and retail market operations of its transmission and distribution

system. For example, during Hurricane Harvey, CenterPoint Houston used weather and flooding information to assess, monitor, better manage resources, and safely and timely restore customer service. CenterPoint Houston has not conducted an empirical analysis on whether its commercial weather service vendors' weather information is statistically reliable.

In addition to receiving weather information from commercial weather service vendors, CenterPoint Houston itself monitors regional weather forecasts within its regional system. For example, CenterPoint Houston monitors the temperature at various substations. The highest of these temperature readings is telemetered to the Electric Reliability Council of Texas, Inc. (ERCOT), which subsequently uses these readings for dynamic rating purposes.[3]

b. Cost Recovery Mechanisms

Question: Do existing market-based mechanisms provide sufficient opportunity for cost recovery to meet the weather reliability standards proposed in the discussion draft? If not, what cost recovery mechanisms should be included in the proposed rule?

Response: CenterPoint Houston believes that the Commission's existing mechanisms provide sufficient opportunity for the recovery of costs related to weather reliability standards. For capital costs, such costs are recoverable via the distribution cost recovery factor,[4] the transmission cost of service,[5] and in a general base rate proceeding.[6] CenterPoint Houston notes that the Commission has broad authority and discretion to make the policy determination of whether additional mechanisms are needed for recovery of costs related to weather preparation measures. CenterPoint Houston also believes that to the extent that transmission service providers incur incremental costs that are not recoverable under the existing mechanisms or fall outside their scope, the Commission should create a weatherization compliance mechanism that will allow efficient and effective cost recovery. To the extent the Commission makes a policy determination to create additional mechanisms for cost recovery, CenterPoint Houston is supportive of additional

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[3] A dynamic rating is defined by ERCOT as "The current-carrying capability of a Transmission Element [e.g. electrical bus, line, transformer, breaker, etc.] adjusted to take into account the effect of ambient weather conditions." ERCOT Nodal Protocols, Section 2 Definitions and Acronyms

[4] *See* 16 Tex. Admin. Code § 25.243

[5] *See* 16 Tex. Admin. Code § 25.192

[6] *See* 16 Tex. Admin. Code § 25.231

mechanisms that allow for the timely and efficient recovery of weather-related capital and operations and maintenance costs. CenterPoint Houston believes that the current cost recovery mechanisms serve as good templates in designing any additional mechanisms for weather-related cost recovery associated with implementation.

III. CenterPoint Houston's Proposed Revisions to the Weatherization Rule

CenterPoint Houston proposes the following revisions to the Weatherization Rule, specifically: (1) incorporating standards in the NESC and established by ANSI; (2) consideration of regional differences in each utility's respective service area; and (3) the requirement of utility-specific weather resiliency plans. CenterPoint Houston believes these proposed revisions provide additional guidance to transmission service providers and balance the additional benefits that the Weatherization Rule would provide to customers with the incremental costs incurred to comply with the Weatherization Rule.

a. NESC and ANSI Standards and Regional Differences

As currently drafted, the Weatherization Rule does not define or detail the weather reliability standards for transmission service providers. Instead, the Weatherization Rule requires a transmission service provider to "maintain weather preparation measures that reasonably ensure that its transmission system can provide service at the system's applicable rated capabilities as defined by ERCOT under the 98th percentile of each of the extreme weather scenarios specified in the weather study approved by the commission . . . ."[7] CenterPoint Houston interprets this provision as intending to provide transmission service providers the discretion and flexibility to determine how best to design, construct, and operate their facilities to withstand various extreme weather scenarios. While CenterPoint Houston supports the approach of giving transmission service providers discretion and flexibility, CenterPoint Houston proposes that the Weatherization Rule be revised such that: (1) the standards in the NESC and standards established by ANSI are incorporated and (2) regional differences related to weather be taken into account. CenterPoint Houston believes that these two revisions will provide transmission service providers further guidance on what constitutes compliance with Commission-required weather reliability standards.

[7] Weatherization Rule, Subsection (1)

First, the Weatherization Rule should reference and incorporate the standards in the NESC and the standards established by ANSI. These standards are nationally accepted and widely used by electric utilities. As previously detailed in its Initial Comments, CenterPoint Houston uses the latest edition of the NESC as a minimum standard in the design, construction, and operation of its transmission system. CenterPoint Houston constructs its transmission system to meet or exceed the standards in the NESC. Additionally, CenterPoint Houston uses the temperature ratings established by ANSI in the design and construction of its transmission system. CenterPoint Houston's use of these standards has enabled it to provide safe and reliable service to its customers, and more specifically has enabled its transmission system to operate under a wide range of extreme weather conditions, including extreme wind, extreme rain, and extreme hot and cold temperature conditions.

Incorporating the standards in the NESC and the standards established by ANSI would give transmission service providers objective, measurable standards on which to base their respective weather preparation measures. Otherwise, there is a risk that the current draft of the Weatherization Rule could be interpreted as the Commission adopting a standard that is lower than or out of sync with nationally accepted and widely used standards. CenterPoint Houston does not believe that the use of standards that are different or veer away from the standards in the NESC and the standards established by ANSI enhances the reliability of the transmission system. Additionally, CenterPoint Houston believes that the reference to and use of the ERCOT 98th percentile of extreme weather scenarios as the standard for compliance may not be a cost-effective way of enhancing reliability. For example, CenterPoint Houston currently designs, constructs, and operates its transmission system in accordance with the NESC, which specifies a maximum 140 mph basic wind speed for the Gulf Coast of Texas under extreme wind loadings. If the ERCOT 98th percentile value for extreme wind conditions exceeds that of the NESC, CenterPoint Houston would be required to rebuild or significantly modify its transmission system. CenterPoint Houston would be required to incur additional capital and operations and maintenance costs, all of which would be passed on to customers. CenterPoint Houston believes that the use of the standards in the NESC and the standards established by the ANSI would better provide for the safe and reliable operation of the transmission system during extreme weather conditions in a cost-efficient manner.

Second, the Weatherization Rule should permit transmission service providers to take into account regional differences related to weather when designing, constructing, and operating their

respective transmission systems. By adopting the NESC as the standard, these regional differences would already be incorporated into the standard. Texas is a large, geographically diverse state, with diverse weather conditions and patterns. For example, the ambient air temperature in the summer in West Texas is generally hot and dry, while the Gulf Coast region is generally hot and humid. Similarly, the types of wind events that occur in West Texas are different than the types of wind events that occur in the Gulf Coast region. It would not be cost-efficient to have a uniform standard applicable to all transmission service providers, which are subject to different types of extreme weather conditions.

CenterPoint Houston offers the proposed revisions to Subsection (i) of the Weatherization Rule:

> **(i) Weather reliability standards for a transmission service provider.** A transmission service provider must maintain weather preparation measures in compliance with standards in the National Electrical Safety Code or standards established by the American National Standards Institute that, when taking into account regional differences related to weather that may affect the design, construction, and operation of its transmission system, reasonably ensure that its transmission system can provide service at the system's applicable rated capabilities ~~as defined by ERCOT under the 98th percentile of each of the~~ under extreme weather conditions ~~scenarios specified in the weather study approved by the commission under subsection (c) of this section~~ and must, at a minimum, be in conformance with good utility practice. For pre-existing facilities, equipment, or portions of a transmission service provider's transmission system, a transmission service provider must comply with standards in the National Electrical Safety Code or standards established by the American National Standards Institute that were in effect at the time of the design and construction of such specific facility, equipment, or portion of the transmission system.

b. Requirement of Utility-Specific Resiliency Plans

As currently drafted, the Weatherization Rule requires, with certain exceptions, transmission service providers to comply with the weatherization reliability standards by

November 30, 2023. CenterPoint Houston believes that this timeline is not feasible, given that the weatherization reliability standards are dependent on the ERCOT weather study that must be filed with the Commission by January 1, 2022.[8] If adopted, this would mean that the current draft of the Weatherization Rule would require CenterPoint Houston to assess 3,800+ miles of transmission lines and 236 substations and, if necessary, make the necessary modifications within two years.

As an alternative, CenterPoint Houston proposes that the Weatherization Rule be revised to require that each transmission service provider file an initial resiliency plan that details the transmission service provider's weather preparation measures, including multiyear efforts to protect and strengthen electric transmission facilities and equipment from their regional extreme weather conditions. In CenterPoint Houston's service area, this resiliency plan may include projects that involve the hardening of electric transmission facilities, the undergrounding of electric transmission facilities, the construction of additional redundancy substations for critical infrastructure, the elevating of electric substations, and the implementation of flood control measures to improve the resiliency of and to protect its electric infrastructure. To the extent that adjustments to a resiliency plan must be made in light of the ERCOT weather study approved by the Commission, CenterPoint Houston further proposes that a transmission service provider file an amended resiliency plan that details any necessary modifications and corresponding cost estimates associated with such modifications. These Commission-approved resiliency plans would allow transmission services providers to begin making the necessary improvements, because they are deemed prudent and necessary. CenterPoint Houston believes that each transmission service provider should have a Commission-approved resiliency plan in place and make subsequent adjustments as necessary. This recommended approach would address the timing and logistical challenges associated with waiting for ERCOT to conduct the weather study, for the Commission to approve the ERCOT weather study, and then making the necessary modifications to the transmission system by November 30, 2023. As part of the requirement to file a resiliency plan, CenterPoint Houston also proposes to include an additional section in the Weatherization Rule that addresses the Commission review and approval of resiliency plans and cost recovery.

[8] Weatherization Rule, Subsection (c)(2)

CenterPoint Houston offers the proposed revisions to the Weatherization Rule to include a section on resiliency plans:

(a) Definitions. In this section, the following definitions apply unless the context indicates otherwise.

. . .

(4) **Resiliency plan** – A multiyear plan that details a transmission service provider's weather preparation measures. A resiliency plan may include projects that involve the hardening of electric transmission facilities, the undergrounding of electric transmission facilities, the construction of additional redundancy substations for critical infrastructure, the elevating of electric substations, and the implementation of flood control measures to improve the resiliency of and to protect electric transmission facilities and equipment.

. . .

(j) **Implementation of weather reliability standards for transmission facilities.** A transmission service provider~~'s transmission system~~ must ~~meet subsection (i) of this section~~ file with the commission an initial resiliency plan, no later than November 30, 2023, that details the transmission service provider's weather preparation measures and how the transmission service provider's transmission system complies with subsection (i) of this section. Within one year of the completion of a revised or updated ERCOT weather study, the transmission service provider must then file with the commission an amended and updated resiliency plan. Thereafter, a transmission service provider should update and file an amended resiliency plan every five years with the commission. ~~except for transmission facilities outside of a substation or switching substation that were designed in conformance with good utility practice but are insufficient to meet the standard. The provider must submit to the commission and ERCOT by November 30, 2023 a report that details any facilities that were designed in conformance with good utility practice but are insufficient to meet the standard and a detailed description of any plan with cost estimates to rebuild the facilities to bring them into compliance with the standard. ERCOT may recommend and the commission~~

~~may order the rebuilding of facilities to bring them into compliance with the standard.~~

. . .

(k) Commission review of resiliency plans.

(1) Commission review of resiliency plans. In its review of a transmission service provider's resiliency plan or amended resiliency plan, the commission shall consider: (a) the extent to which the plan is expected to enhance reliability and to reduce customer outage times and restoration costs for extreme weather conditions; (b) the extent to which the plan is feasible, reasonable, and practical in light of the type of extreme weather conditions experienced in the transmission service provider's service area; and (c) the estimated costs and benefits to customers. No later than 180 days after a transmission service provider files its resiliency plan or amended resiliency plan with the commission, the commission shall approve, approve with modification, or deny the plan.

(2) The projects undertaken by a transmission service provider pursuant to the transmission service provider's commission-approved resiliency plan or amended resiliency plan are prudent and shall be includable in the transmission service provider's rate base. A transmission service provider may request recovery of its resiliency plan costs through a proceeding under Section 35.005(d), Section 36.210, or another ratemaking proceeding, and the commission shall use the rate of return on investment established in the final order of the transmission service provider's latest effective base rate proceeding.

c. Alternative Approach to Compliance With the ERCOT 98th Percentile Standard

To the extent that the Commission declines CenterPoint Houston's recommendation to incorporate the standards in the NESC and the standards established by ANSI as the standards for weather preparation measures and instead makes the policy determination to use the ERCOT 98th percentile as the standard for weather preparation measures, CenterPoint Houston recommends three proposed revisions to Subsection (j) of the current Weatherization Rule. First, CenterPoint

Houston recommends that transmission service providers be permitted to request a good cause exception to extend the November 30, 2023 compliance deadline. As previously discussed, the current draft of the Weatherization Rule would require CenterPoint Houston to assess 3,800+ miles of transmission lines and 236 substations and, if necessary, make the necessary modifications within two years. This is not feasible. Further compounding this infeasibility is the potential for personnel and material shortages, especially if other transmission service providers are having to rebuild or significantly modify their transmission system around the same time. Second, as part of a good cause exception request, CenterPoint Houston proposes that a transmission service provider be required to submit a compliance plan that details the weather preparation measures, along with associated costs and timelines, that will be undertaken to come into compliance with the ERCOT 98th percentile standard. Similar to CenterPoint Houston's proposed resiliency plan, the compliance plan may include projects that involve the hardening of electric transmission facilities, the undergrounding of electric transmission facilities, the construction of additional redundancy substations for critical infrastructure, the elevating of electric substations, and the implementation of other flood control measures to improve the resiliency of and to protect its electric infrastructure. Third, CenterPoint Houston proposes a provision that addresses cost recovery for capital and operation and maintenance costs incurred for weather preparation measures, including costs in a Commission-approved compliance plan. CenterPoint Houston proposes that any costs that are not recoverable through one of the current cost recovery mechanisms be allowed to be recovered through a Commission-approved mechanism as detailed below.

CenterPoint Houston proposes the following, alternative revision to Subsection (j) of the Weatherization Rule if the Commission makes the policy determination to use the ERCOT 98th percentile as the standard for weather preparation measures:

> **(a) Definitions.** In this section, the following definitions apply unless the context indicates otherwise.
>
> . . .
>
> (1) **Compliance plan** – A multiyear plan that details a transmission service provider's weather preparation measures that will be undertaken to come into compliance with subsection (i) of this section. A compliance plan may include

projects that involve the hardening of electric transmission facilities, the undergrounding of electric transmission facilities, the construction of additional redundancy substations for critical infrastructure, the elevating of electric substations, and the implementation of other extreme weather control measures to improve the resiliency of and to protect electric transmission facilities and equipment.

. . .

(j) **Implementation of weather reliability standards for transmission facilities.**

(1) A transmission service provider's transmission system must meet subsection (i) of this section, no later than November 30, 2023, except for transmission facilities outside of a substation or switching substation that were designed in conformance with good utility practice but are insufficient to meet the standard. The provider must submit to the commission and ERCOT by November 30, 2023 a report that details any facilities that were designed in conformance with good utility practice but are insufficient to meet the standard and a detailed description of any plan with cost estimates to rebuild the facilities to bring them into compliance with the standard. ERCOT may recommend and the commission may order the rebuilding of facilities to bring them into compliance with the standard.

(2) A transmission service provider may request a good cause exception to extend the November 30, 2023 compliance deadline if such request is filed within six months of the deadline. In requesting a good cause exception, the transmission service provider must state the reasons that it cannot meet the November 30, 2023 compliance deadline and submit a compliance plan that details the weather preparation measures, along with associated costs and timelines, that will be undertaken by the transmission service provider to come into compliance with subsection (i) of this section. In its review of a transmission service provider's request for a good cause exception and compliance plan, the commission shall consider: (a) the stated reasons that the transmission service provider cannot come into compliance with subsection (i) of this section by November 30, 2023; (b) the extent to which the compliance

plan is reasonably expected to cause the transmission service provider to come into compliance with subsection (i) of this section; (c) the extent to which the plan is feasible, reasonable, and practical; and (d) the estimated costs and timelines. No later than 180 days after a transmission service provider requests a good cause exception to extend the November 30, 2023 compliance deadline, the commission shall grant the request and approve the transmission service provider's compliance plan if the commission determines that the transmission service provider's compliance plan reasonably ensures that the transmission service provider will become compliant with subsection (i) of this section within a reasonable amount of time. A transmission service provider is permitted to amend its compliance program to the extent that there is a change in circumstances that necessitate a material change to the weather preparation measures, estimated costs, or timelines. The commission shall review and approve an amended compliance plan using the same factors in this subsection (j)(2).

(3) Capital projects undertaken by a transmission service provider in order to come into compliance with subsection (i) of this section, including capital projects in a commission-approved compliance plan or amended compliance plan, are prudent and shall be includable in the transmission service provider's rate base. A transmission service provider may request recovery of its compliance plan costs through a proceeding under Section 35.005(d), Section 36.210, or another ratemaking proceeding, and the commission shall use the rate of return on investment established in the final order of the transmission service provider's latest effective base rate proceeding.

(4) A transmission service provider may establish a regulatory asset for amounts related to incremental operations and maintenance costs incurred by the transmission service provider in order to come into compliance with subsection (i) of this section, including the operations and maintenance costs in a commission-approved compliance plan or amended compliance plan. The transmission service provider shall be permitted to recover the regulatory asset, including carrying costs, in a subsequent ratemaking proceeding.

. . .

(l) Compliance with weather reliability standards by a transmission service provider. A transmission service provider must submit an annual report to ERCOT no later than November 1 of each year, beginning on November 1, 2024, that addresses compliance with subsection (i) of this section, unless the transmission service provider has received a good cause exception to extend the November 23, 2023 compliance deadline and has a commission-approved compliance plan or amended compliance plan. A transmission service provider that has a commission-approved compliance plan shall submit its annual report to ERCOT beginning on November 1 of the year that the activities in the compliance plan or amended compliance plan have been completed and the transmission service provider has come into compliance with subsection (i) of this section. The report must include the name of the provider, a summary of activities related to compliance, and all other information prescribed by ERCOT in its market rules. The annual report must also include a notarized affidavit sworn to by ~~the chief executive~~ an officer of the provider that its transmission system is in compliance with the weather reliability standard in subsection (i) of this section.

d. Miscellaneous Proposed Revisions

In addition to the revisions detailed above, CenterPoint Houston proposes the following proposed revisions to the Weatherization Rule:

(a) Definitions. In this section, the following definitions apply unless the context indicates otherwise.

. . .

(2) **Good utility practice** – Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety,

and expedition. Good utility practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather is intended to include acceptable practices, methods, and acts generally accepted in the region.

. . .

(l~~k~~) Compliance with weather reliability standards by a transmission service provider. A transmission service provider must submit an annual report to ERCOT no later than November 1 of each year, beginning on November 1, 2024, that addresses compliance with subsection (i) of this section. The report must include the name of the provider, a summary of activities related to compliance, and all other information prescribed by ERCOT in its market rules. The annual report must also include a notarized affidavit sworn to by ~~the chief executive~~ an officer of the provider that its transmission system is in compliance with the weather reliability standard in subsection (i) of this section.

. . .

(n~~m~~) Violations of reliability standards for a transmission service provider.

. . .

(3) Weather-related failures to provide service. For a transmission system that experiences repeated or major weather-related forced interruptions of service, including forced outages, derates, or maintenance-related outages that result in a failure to comply with subsection (i~~d~~) of this section, the transmission service provider must have a qualified professional engineer with experience in the electric utility industry assess its weather preparation measures, plans, procedures, and operations and submit the assessment to the commission and ERCOT. ERCOT must adopt rules that specify the circumstances for which this requirement applies and specify the scope and contents of the assessment. A provider may be subject to an audit of its compliance and/or inspection of its facilities ~~additional inspections~~ by ERCOT and referral to the commission for enforcement of any violation of the commission's rules and failure to cure the identified deficiencies within a reasonable period of time.

IV. Conclusion

CenterPoint Houston respectfully requests that the Commission incorporate its proposed revisions in the Weatherization Rule.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Pandy Livingston, certify that a copy of this document was served on all parties of record in this proceeding on July 30, 2021, by e-mail pursuant to the Order Suspending Rules - PUC Docket No. 50664.